



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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June 17, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

THE COMMUNITY HEALTH PLAN
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and delegate authority to the Director of Health Services, or his designee, upon review and approval by County Counsel and Chief Administrative Office, to execute:

1. Amendment No. 3 to Agreement No. H-213337 with L.A. Care Health Plan for the continued provision of administrative support services for the Personal Assistance Services Counsel-Service Employees International Union Homecare Worker Health Care Plan, effective upon Board approval through June 30, 2005, at an estimated maximum obligation of \$2,000,000, 100% offset by State and Federal funds.
2. Amendment No. 3 to the Medi-Cal Services Agreement No. H-207980 with L.A. Care Health Plan to extend the Community Health Plan's access to L.A. Care Health Plan's professional temporary services subcontracts for claims adjudication, utilization review, and member services effective July 1, 2004, and continue on a month-to-month basis, for a period of not to exceed six (6) months through December 31, 2004, which can be terminated upon ten (10) calendar days prior written notice, up to an estimated maximum obligation of approximately \$150,000, co-terminous with the Medi-Cal Agreement with L.A. Care.
3. Amendment No. 4 to Agreement No. H-213197 with Alert Communications Company for the continued provision of 24-hour telephone answering support services, effective upon Board approval through June 30, 2005, at an estimated annual maximum obligation of \$130,000, with provisions for two 12-month automatic renewals through June 30, 2007, contingent upon future State funding; and revise the maximum obligation of the current year Fiscal Year 2003-04 agreement retroactive July 1, 2003 to \$132,000, to cover an unanticipated increase in

the utilization of telephone answering support services. The amount of the increase for Fiscal Year 2003-04 is \$30,000, and results from additional telephone answering support required for the increase in In-Home Supportive Services Health Plan (IHSS) enrollees, attributed to the April 1, 2004 Board-approved reduction of eligibility/work requirements from 112 hours to 80 hours. Except for a small portion of funds from premiums collected through the County's health plan for County Temporary Employees, the remaining funding is totally offset by State and Federal funds.

4. Amendment No. 1 to Agreement No. H-207932 with Pharmaceutical Care Network for the continued provision of Pharmacy Benefit Management Services, effective upon Board approval through June 30, 2005, at an estimated annual maximum obligation of \$16,500,000, with provisions for two 12-month automatic renewals through June 30, 2007, contingent upon future State funding. Per claim reimbursement is 100% offset by County, State, and Federal funds.
5. Amendment revisions to the above Agreements to provide for the incorporation of State-mandated and County-required contract provisions, upon review and approval by County Counsel, effective upon Board approval through the existing terms of each agreement.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

The Department of Health Services (DHS or Department) is recommending the above actions to extend and incorporate State-mandated and County-required contract provisions with: 1) L.A. Care Health Plan (L.A. Care) for the continued provision of administrative support services for the Personal Assistance Services Counsel-Service Employees International Union Homecare Worker Health Care Plan (Health Care Plan) and to allow the Community Health Plan (CHP) and L.A. Care additional time to re-negotiate certain contractual terms and conditions; 2) L.A. Care to ensure that the CHP has adequate administrative support to operate a health plan as required by the Knox-Keene Act; 3) Alert Communications Company (Alert) for the continued provision of 24-hour telephone answering support services for all CHP product lines, and to provide supplemental funding for an unanticipated utilization of telephone services; and 4) Pharmaceutical Care Network (PCN) for the continued provision of Pharmacy Benefit Management (PBM) Services for all CHP product lines. All other terms and conditions of all the amendments will be substantially similar to the previously adopted Agreements and Amendments (where applicable).

FISCAL IMPACT/FINANCING:

L.A. Care

The County estimated annual maximum obligation for Agreement Amendment No. H-213337 with L.A. Care is \$2,000,000, 100% offset through capitation payments received from the Personal Assistance Services Council (PASC) for the Health Care Plan.

The costs for CHP's continued access to L.A. Care's professional temporary services subcontract under Agreement No. H-207980-3 will be at rates agreed upon by L.A. Care and its current subcontractor to be provided to CHP and subject to its validation, 100% offset by administrative overhead revenue retained by CHP from funding received from L.A. Care under such agreement. The estimated costs for this agreement is projected at approximately \$150,000. During the 6 month period, the CHP will begin to recruit and hire

additional staff to perform the services currently provided by L.A. Care's temporary agencies in anticipation of providing these services in-house.

Alert

The County estimated annual maximum obligation for Agreement Amendment No. H-213197 with Alert is \$130,000, 100% offset by funding received from L.A. Care, the State's Managed Risk Medical Insurance Board (MRMIB), PASC, and the County Temporary Employee Program (CTEP).

The amount of the increase for Fiscal Year 2003-04 is \$30,000, and results from additional telephone answering support required for the increase in In-Home Supportive Services Health Plan (IHSS) enrollees, attributed to the April 1, 2004 Board-approved reduction of eligibility/work requirements from 112 hours to 80 hours. Except for a small portion of funds from premiums collected through the County's health plan for County Temporary Employees, the remaining funding is totally offset by State and Federal funds.

PCN

The County estimated annual maximum obligation for Agreement Amendment No. H-207932 with PCN is \$16,500,000, 100% revenue offset by County, State and Federal funds. Funding is provided from capitation payments received from the L.A. Care Health Plan for Medi-Cal beneficiaries, from MRMIB for the Healthy Families Program (HFP), and from PASC for the Health Care Plan. Funding is also provided from premiums collected through the County's health plan for County temporary employees. The per claim rates are on file with the Office of Managed Care (OMC) and are confidential. The rates of payment have been shared with each Board Office, Chief Administrative Office, and County Counsel.

Funding is included in the Fiscal Year (FY) 2004-05 Proposed Budget and will be requested in future fiscal years for Alert and PCN.

FACTS AND PROVISION/LEGAL REQUIREMENTS:

The CHP, a full-service Knox-Keene licensed and federally qualified Health Maintenance Organization (HMO), is the County's publicly-operated HMO administered by the Department's OMC. CHP provides services funded by the Local Initiative Health Authority, dba L.A. Care, for Medi-Cal beneficiaries under the State's Two-Plan Managed Care Program, MRMIB for the HFP, PASC for Health Care Plan beneficiaries, and the County for the CTEP for County temporary employees.

L.A. Care

On January 8, 2002, the Board approved the original agreement with L.A. Care for the provision of administrative support services for the Health Care Plan, including the provision of claims processing, utilization review, and information systems services to OMC. On subsequent occasions, the Board approved amendments to Agreement No. H-213337 to incorporate Nurse Advice Line services and to extend it through June 30, 2004.

On February 11, 1997, the Board approved the Medi-Cal Services Agreement with L.A. Care to fund CHP's Medi-Cal Managed Care Program. On December 17, 2002, the Board approved Agreement

No. H-207980 which extended such funding through December 31, 2004, and enabled CHP to purchase claims adjudication, utilization review, and member services through L.A. Care's professional temporary services employees subcontract through June 30, 2003. On June 17, 2003, the Board approved the extension of CHP's access to temporary services subcontracts with L.A. Care through June 30, 2004. The Department is recommending the Amendment of this Agreement to continue CHP's access to such subcontract on a month-to-month basis not to exceed six (6) months through December 31, 2004.

The amendments requested by the Department for both agreements with L.A. Care will ensure that CHP has adequate administrative support to operate a health plan as required by the Knox-Keene Act.

Alert

On November 20, 2001, the Board approved Agreement No. H-213197 for the provision of 24-hour telephone answering support services to permit CHP members and providers from Medi-Cal Managed Care Program/County Temporary Employee Program (MMCP/CTEP), HFP, and Health Care Plan to use 24-hour telephone availability related to member eligibility, health care, urgent care and emergency services as required under CHP's Knox-Keene license.

On several subsequent occasions, the Board approved amendments to Agreement No. H-213197 to add funding and extend the Agreement through June 30, 2004. However, the amount of the increase for fiscal year 2003-04 is \$30,000, and results from additional telephone answering support required for the increase in In-Home Supportive Services Health Plan (IHSS) enrollees, attributed to the April 1, 2004 Board-approved reduction of eligibility/work requirements from 112 hours to 80 hours.

PCN

On November 19, 2002, the Board approved the original Agreement with PCN to provide PBM Services for the CHP and its Countywide pharmacy network consisting of: 1) on-line claims processing and adjudication for the CHP pharmacy network; 2) claims monitoring; 3) CHP pharmacy network maintenance and credentialing; 4) drug utilization review; and 5) provision of various administrative, financial and drug utilization reports. The Agreement is effective through June 30, 2004.

Attachment A provides additional information.

CONTRACTING PROCESS:

On January 8, 2002, the Board approved the sole source Administrative Support Services Agreement with L.A. Care which was necessary because of the short timeframe mandated for implementing the program by the Board of Supervisors when approving the Health Care Plan on March 27, 2001. On December 27, 2002, the Board approved the Medi-Cal Agreement with L.A. Care to provide funding for CHP's MMCP and to enable CHP to purchase claims adjudication, utilization review, and member services through L.A. Care's temporary services subcontract.

Each of the agreements was a result of a sole source selection process. Sole source letters for each agreement are on file with the Board.

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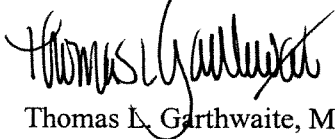
Current County policy and procedures require timely submission of contracts for Board approval. However, this request for approval of the CHP Agreements was not scheduled for placement on the Board's agenda prior to its effective date due to negotiations with the agencies.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The services provided to CHP, its members, and pharmacies will continue uninterrupted.

When approved, this Department requires four signed copies of the Board's actions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas L. Garthwaite".

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:po

Attachment (1)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

AGRECDBL2394F.PO

SUMMARY OF AGREEMENT

1. Type of Services

Alert Communications Company (Alert)

24-hour Telephone Answering Support Services

L.A. Care Health Plan

Claims Processing Services, Utilization Review Services, and Managed Care Information System Services, Temporary Services

Pharmaceutical Care Network (PCN)

Pharmacy Benefit Management (PBM) Services for the CHP Countywide network includes:

1) on-line claims processing and adjudication for CHP; 2) claims monitoring; 3) CHP pharmacy network maintenance and credentialing; 4) drug utilization review; and 5) provision of various administrative, financial, and drug utilization reports. The CHP pharmacy network includes County-operated pharmacies and PCN's subcontracted pharmacies.

2. Agency and Contact Person

Alert Communications Company
5515 York Boulevard
Los Angeles, California 90042
Attention: John Houssman, CFO
Telephone: (323) 254-7174

L.A. Care Health Plan
555 West 5th Street, 29th Floor
Los Angeles, California 90013
Attention: Howard A. Kahn, CEO
Telephone: (213) 694-1250

Pharmaceutical Care Network
9343 Tech Center Drive, Suite 200
Sacramento, California 95826
Attention: Amy Kendall, Account Manager
Telephone: (916) 361-4433

3. Term:

L.A. Care: July 1, 2004 through June 30, 2005 (Administrative Support Services)

L.A. Care: July 1, 2004 through December 31, 2004 (Temporary Services)

Alert: FY 2003-04, retroactive from July 1, 2003 through June 30, 2004.

Alert and PCN: The amendments are effective July 1, 2004 through June 30, 2005, with provisions for two 12-month automatic renewals through June 30, 2007, contingent upon future State funding.

4. Financial InformationAlert

The County estimated annual maximum obligation for Agreement Amendment No. H-213197-4 with Alert is \$130,000, and the amount for the supplemental funding for Amendment No. 3 is \$30,000. Both amounts are 100% revenue offset by funding received from L.A. Care for the Medi-Cal Managed Program, MRMIB for HFP, PASC for SEIU Homecare Workers Health Care Plan, and County for the County temporary employees.

L.A. Care

The County estimated annual maximum obligation for Agreement Amendment No. H-213337-3 with L.A. Care is \$2,000,000, 100% revenue offset through capitation payments received from the Personal Assistance Services Council for the PASC-SEIU Health Care Plan.

The County estimated annual maximum obligation for Agreement Amendment No. H-207980-3 with L.A. Care is \$150,000, 100% offset by administrative overhead revenue retained by CHP from funding received from L.A. Care under such Agreement.

PCN

Agreement Amendment No. H-207932-1 with PCN is paid on a per claim basis, 100% revenue offset by County, State and Federal funds. Funding is provided from capitation payments received from the L.A. Care for Medi-Cal beneficiaries, from the State's MRMIB for the HFP, and from the PASC for the PASC-SEIU Health Care Plan. Funding is also provided from premiums collected through the County's CTEP for County temporary employees.

5. Geographical Area To Be Served

All Districts.

6. Accountable for Monitoring

Office of Managed Care

7. Approvals:

Office of Managed Care: Robert Lonardo, Director

Contract Administration: Irene E. Riley, Director

County Counsel: Edward Morrissey, Deputy County Counsel